

Five-Year  
Strategic Plan

# SCHOOL FACILITIES BOARD

FY 2014 — FY 2018

## **EXECUTIVE SUMMARY**

The School Facilities Board's (SFB's) FY 2014 – 2018 Strategic Plan is the first to contain a vision statement. This vision was crafted with input from staff and describes the core principle driving the Agency.

The mission statement has been revised to more clearly define the SFB's purpose.

The three main programs of the SFB continue to be New School Construction, Building Renewal/Preventative Maintenance, and Emergency Deficiencies Corrections.

The Plan identifies five strategic issues to be addressed by the SFB. They are:

- 1) New Construction and Building Renewal Funding
- 2) Continue Development and Implementation of District Preventative Maintenance Programs
- 3) Strengthen Relationship and Communication with School Districts
- 4) Improve Knowledge Transfer
- 5) Improve Administration and Operations Support

Goals, strategies, and performance measures have been outlined for each issue.

The SFB's main focus has historically been on Deficiencies Corrections and New Construction. The former has been repealed and the latter has slowed considerably due to the economic downturn. In light of these changes, more of the Agency's operational resources are focused on Preventative Maintenance. Limited resources make it more critical than ever to preserve the State's assets. The SFB intends to partner with school districts and other stakeholders to help sustain existing education facilities.

# FIVE-YEAR STRATEGIC PLAN

## Mission

The School Facilities Board provides financial and technical support to Arizona school districts by forming partnerships to help ensure that the education facilities are constructed to and maintained at State standards so K-12 students can achieve academic success.

## Description

The School Facilities Board was created by Laws 1998, 5th Special Session, Chapter 1 through legislation commonly known as Students FIRST (Fair and Immediate Resources for Students Today). The School Facilities Board consists of nine gubernatorial appointed voting members and the Superintendent of Public Instruction who serves as a non-voting member. The Board is charged with the administration of three capital programs: a) New School Facilities, b) Building Renewal/Preventative Maintenance, and c) Emergency Deficiencies Corrections.

In order to effectively evaluate the State's school capital needs, the Board maintains a facilities database consisting of information reported by each school district that aids the Board in determining the funding level for building renewal and the construction of new facilities. Through periodic inspections, the Board is mandated to ensure compliance with building adequacy standards and routine preventative maintenance guidelines with respect to the new construction of buildings and maintenance of existing buildings. The Board also administers an Emergency Deficiencies Corrections program in the event that a school district has a serious need for materials, services, construction, or expenses in excess of the district's adopted budget that seriously threatens the functioning of the school district, the preservation or protection of property or public health, safety, and welfare.

## Vision Statement

To be a trusted and reliable partner to Arizona's education community.

The agency is valued because of its contribution to the education process, and its service as a communication conduit between stakeholders involved in the financing, design, construction and maintenance of school facilities.

## Programs

### New School Construction

### Program 1

#### *Funding*

From the program's inception until 2003, the New School Construction program was funded on a cash basis from transaction privilege tax transfers. Beginning in FY 2003 and continuing through FY 2005, the Legislature replaced the School Facilities Board's authority to request transaction privilege tax transfers directly from the State Treasurer with the authority to enter into lease-to-own (LTO) transactions and provided appropriations to pay for the new school facilities debt service. Laws 2005, Ch. 287, section 5 repealed the School Facilities Board's authority to instruct the Treasurer, and the Legislature instead directed the Treasurer to transfer a specific sum in the amount of \$250 million for FY 2006 along with an advance appropriation of \$50 million for FY 2007. Laws 2006, Chapter 344 appropriated \$200 million from the General Fund to the New

School Facilities Fund, of which \$4 million was for Full-Day Kindergarten. Finally, Laws 2006, Chapter 353 eliminated the School Facilities Board ability to enter into lease-to-own transactions, as it was the Legislature's desire to permanently fund new school construction on a pay-as-you-go basis.

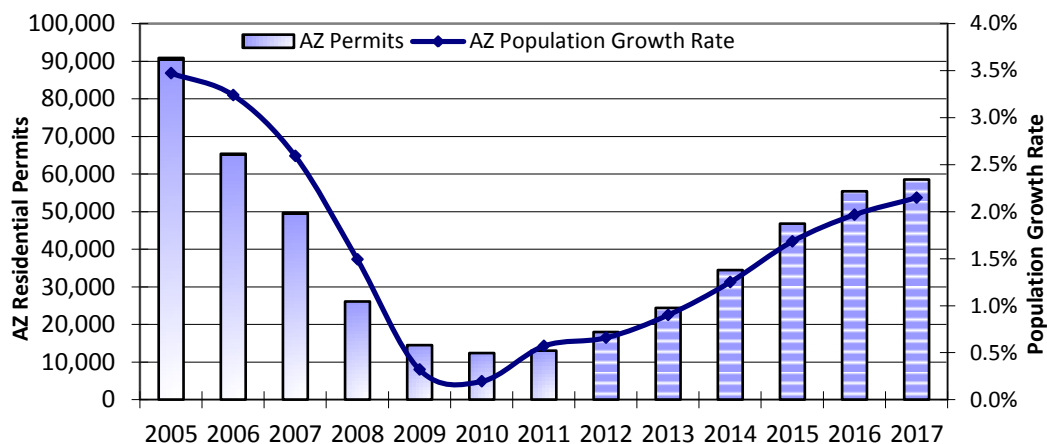
Due to the fiscal downturn, in FY 2009, the Legislature returned to lease-to-own financing. The FY 2009 budget authorized the SFB to not only fund FY 2009 new construction costs with LTO financing, but also to refund the majority of FY 2008 new school construction costs. In addition, the budget bill placed a moratorium on all new school construction starts for FY 2009. While the New School Construction moratorium remained in effect for FY 2010 through FY 2013, the Legislature provided \$100 million in lease-to-own authority for the construction of new schools in FY 2010. Land acquisition and new school construction funded from this authority are exempt from the moratorium. For FY 2013 the authority continued through a Qualified School Construction Bond program.

### Outlook

The School Facilities Board's five-year outlook for new construction shows a continued need for new schools.

The chart below shows the number of residential housing permits and population growth in Arizona by year. For calendar years 2005 through 2011, actual numbers of residential permits and population estimates on July 1 by the Arizona State Demographer's Office are used; for 2012 and later years, housing permit numbers and population growth are projected by the University of Arizona in the March and September 2012 issues of *Arizona's Economy*. The decline in residential construction started in the fall of 2005 and continued through 2010. The trend did not reverse until 2011. The population growth rate exhibits a close relationship with residential construction. The rate dropped to 0.2% in 2010, and is projected to gradually rebound to more than 2% by 2017.

Chart 1:  
Actual and projected new residential permits in Arizona  
Compared with Estimated and Projected Population Growth Rates



#### Sources:

Residential Permits - Actual numbers from U.S. Census, *Building Permits, Permits by State Annual* are used for 2005-2011, and projected numbers from *Arizona's Economy*, University of Arizona, March and September 2012 issues for 2012 -2017.

Population – Estimates from Arizona State Demographer's Office (<http://azstats.gov/population-estimates.aspx>) are used for 2005-2011, and projected numbers from *Arizona's Economy*, University of Arizona, March and September 2012 issues for 2012-2017.

What does all this mean for new school construction in Arizona? Consistent with the downturn in the housing market, the number of awards by the Board decreased in FY 2007 through FY 2012. When the SFB saw the downturn and the possibility of building excess space, the SFB started putting projects on hold, and eventually cancelled many of them as the downturn continued. Although the need for new schools diminished for most of the State, there continued to be measureable growth in some districts and a need for additional space. (See Attachment A for FY 2012 activity). The award history is shown in Table 1.

#### *Forecasting challenges*

As delineated in Table 1, which shows awards for the last twelve years, awards can fluctuate widely. Economic changes are the key driver, but there are several other reasons behind these fluctuations. First, the districts control when they seek new schools. SFB staff relies on their applications as notification of a need for more space. Second, since the program is based on student projections, inaccuracies in a given year are corrected in subsequent years. If a school is awarded and the ADM projections which were its basis do not materialize, then that year's awards are artificially high and the next year's are low. If a school is awarded one year late, then the current year's total awards are low, and the next year's awards are high.

Approved projects reflect an underlying student population growth that breaks down as follows in Table 2:

Table 2 Annual ADM Growth Rate FY 2004-FY 2012 <sup>2</sup>	
Fiscal Year	Annual Growth Rate
FY 2004	1.9%
FY 2005	3.0%
FY 2006	3.0%
FY 2007	2.5%
FY 2008	1.3%
FY 2009	-0.4%
FY 2010	-0.9%
FY 2011	-1.8%
FY 2012	-0.6%

Table 1 – SFB New Construction Awards <sup>1</sup>		
FY	Projects	Sq. Feet
2001	30	2,063,060
2002	37	1,927,102
2003	29	1,851,948
2004	38	2,907,172
2005	23	2,343,446
2006	39	3,435,028
2007	33	2,877,306
2008	12	788,249
2009	7	306,622
2010	3	141,234
2011	2	57,060
2012	1	4,320

Other factors including prior awards, existing district space, and which districts actually experience the growth all contribute to new construction awards. School Facilities Board staff projects that future ADM growth will be localized mainly in school districts in Maricopa, Pinal, and Pima counties.

<sup>1</sup> Does not include any revisions or cancellations to prior awarded projects.

<sup>2</sup> The growth metric is based on attending ADM provided by the Department of Education. The numbers include district schools and Accommodation schools only. Online schools, charter schools and JTED's are not included.

### *Moratorium Impact*

As noted above, part of the FY 2013 budget is a moratorium on new school construction starts and land acquisition. This moratorium was passed due to both fiscal necessity and a general belief that the slowing in population growth eliminated the need for new schools. While it is correct that most school districts do not need additional space at this time, there are several districts that continue to grow. These districts have and will exceed the State minimum standards for students per square foot.

Additionally, many of the areas experiencing a decline in population growth are directly related to lower occupancy rates. Varying school districts have newly completed residential developments that are only lightly occupied. Any positive change to vacancy patterns could lead to quickly expanding student populations. Continuing land acquisitions for future school sites will be critical to meeting the needs of quickly expanding populations.

### *Operational Planning*

In an effort to effectively manage the new school construction program, the School Facilities Board staff is involved in the following efforts.

Long-Term Planning – Upon conceptual approval of new school construction projects, the SFB is making an effort to find land to site future schools in locations that will best serve the emerging growth of the district. In addition, many school districts are working closely with developers to get donations for school sites. If a school district acquires real property by donation, the SFB is required to distribute an amount equal to 20% of the fair market value of the donated property to the school district, which may be used by the district for unrestricted capital outlay. All school sites, whether donated, leased, purchased or partially purchased must be approved by the Board. The SFB staff, in making recommendations to the Board, ensures that the site will be viable with respect to items such as size, environmental issues, utility routes, etc. The SFB is also encouraging districts to work closely with local governments and planning departments to ensure that district needs for school sites are considered in the planning process prior to the issuance of permits to developers. Some districts have even been successful in getting cities to waive charges for permits and fees for school construction, which saves on the overall cost of the project. Additionally, the SFB is helping districts develop long-term projections that will assist them in appropriately sizing and locating future facilities.

Energy Efficiency and Sustainability – The Board has been working with the architectural community to implement and identify methods in the design of new schools as well as the design of renovations that will incorporate numerous Executive Orders regarding energy efficiency. Currently the new school designs the Board is reviewing and approving will earn in excess of 40 LEED (Leadership in Energy and Environmental Design) points. The Board is working toward the 50 points that are required to meet the LEED Silver standard. The Board is also working with utilities to incorporate solar arrays into the design of new buildings, both helping the districts reduce energy costs and helping the utilities meet renewable energy standard requirements.

School Safety – The Board is continuing to review safety best practices to ensure as safe an environment at our school sites as possible. The Board has compiled best practice recommendations from state and federal law enforcement agencies, various state departments of education, school security experts, architects and planners to further our pursuit for safe schools.

21<sup>st</sup> Century Schools – The Board worked with local architects to help author and distribute the “Arizona School Design Primer”, published in 2012. The primer is written to help districts program and ask appropriate questions of their designers. The Board has also prepared a report that recommends how the State can build new schools as we move into the 21<sup>st</sup> century that includes the following:

1. enhance ability of teachers and students to integrate technology into teaching and learning;
2. create personalized instructional environments that best match teaching programs with individual student needs;
3. foster productive relationship-building between teachers and students;
4. ensure the safety of all students and school personnel; and
5. maximize energy and water efficiency.

Additionally, the report included recommendations on:

6. School size and its impact on learning
7. The impact of class size initiatives on school construction
8. The best way to pay for new schools

#### Building Renewal / Preventative Maintenance

#### Program 2

The Building Renewal program as currently constituted is based on a formula that provides approximately 67 percent of the building replacement value over a 50-year period. A.R.S. §15-2031 requires that building renewal monies be distributed twice a year in lump sum amounts to school districts, as long as districts submit their prior year expenditure report and three-year building renewal plan to the Board. While districts are required to submit a three-year building renewal plan and expenditure data, there is no State oversight on when dollars are actually expended. Historically, many districts save building renewal funds from year to year in anticipation of a future large building renewal project.

Laws 2007, Chapter 266, section 2 amended the building renewal statute to include a priority system for the use of building renewal funds. A school district must use building renewal monies for primary projects unless only secondary projects exist. Primary projects are projects that are necessary to meet the State academic standards and that fall below minimum adequacy guidelines, whereas secondary projects are any projects not defined as primary projects. Further, school districts are required to use building renewal monies on secondary projects to comply with building, health, fire or safety codes. However, before spending building renewal monies on secondary projects to comply with building, health, fire or safety codes, the School Facilities Board is required to approve the projects.

In FY 2009, the Legislature suspended the building renewal program and replaced it with a \$20 million Building Renewal Grant program. These grants can only be used to correct systems that would no longer meet the minimum facility guidelines. This method is reactionary in nature and does not efficiently address the requirement to maintain the infrastructure of the State's academic facilities. SFB staff awarded \$7 million in building renewal grant projects and the Legislature swept the remaining \$13 million to help balance the FY 2009 budget. In FY 2010, the Legislature continued the suspension of the building renewal program and appropriated \$3 million for building renewal grants. The Legislature then swept \$332,100 of this allocation. In FY 2011, the building renewal grant program was appropriated \$2,667,900. In FY 2012, this amount

was unchanged and then later supplemented with \$11.5 million. The Legislature again appropriated \$2,667,900 for FY 2013.

#### *Building Renewal Lawsuit*

In 1999, several school districts sued the State (Roosevelt v. Bishop) asserting that the Students FIRST Act as implemented did not meet the requirements of the State Constitution because the State failed to fully fund the building renewal formula for fiscal years 1999, 2000, and 2002. On October 13, 2001, the Arizona Superior Court granted the State's Cross Motion for Summary Judgment and ruled that the appropriation of a specific sum by the State Legislature for fiscal year 1999 demonstrates that there was no expectation that the statutory formula for the building renewal fund was intended to be used for FY 1999.

However, on May 7, 2002, the Superior Court held that the State's failure to fully fund the building renewal formula for fiscal years 2000 and 2002 was a violation of the State Constitution's requirement that the State provide a general and uniform public school system.

On June 18, 2002, six school districts filed a new lawsuit (Somerton Case) asserting that the State had failed to fully fund the building renewal formula for fiscal year 2002. On October 17, 2002 and December 13, 2002, the Superior Court held that the State had violated the State Constitution by failing to fully fund the building renewal formula for fiscal year 2002. The Court also ordered the State to "remedy the constitutional deficiencies" in the level of building renewal formula funding by June 30, 2004. The Somerton Case was consolidated with the Roosevelt case, also being appealed by the State. Subsequently, the Court of Appeals on August 14, 2004, reversed the trial court's judgments and remanded both cases to the trial court for the school districts to demonstrate that the lack of building renewal funding resulted in current unmet needs related to academic achievement. On January 6, 2004, the Arizona Supreme Court denied review of the Court of Appeals order remanding the consolidated cases.

On October 3, 2006, the Superior Court granted the Defendant State of Arizona's Motion for Summary Judgment. At issue in the motion is whether plaintiffs' claim was ripe and whether plaintiffs must prove that the Students FIRST system is unconstitutional as applied to every public school district or only as applied to them and whether the Students FIRST system has caused any facility needs related to academic performance to be unmet. The Court found that until each plaintiff district attempted to obtain all available funds from the State their claim is premature and not yet ripe.

On November 21, 2008, the Superior Court agreed to allow the Tempe Union High School District to join the lawsuit. On February 22, 2010, the Superior Court held that Tempe Union High School District failed to establish a justiciable controversy because it had failed to show that all available sources of funding through the State had been exhausted. The matter was dismissed but continued on the inactive calendar. On January 18, 2011, the Superior Court dismissed the case without prejudice after finding that a justiciable controversy still did not exist.



### Building Renewal Funding History

Fiscal Year	Formula Amount	Appropriated Amount	Shortfall	Explanation
FY 1999	\$103,747,800	\$75,000,000	\$28,747,800	Laws 1998, Fifth Special Session, Ch. 1 (SB 1001 - Students FIRST), section 64 appropriated \$75 million from the General Fund to the Building Renewal Fund for FY 1999. The amount appropriated represented the best guess at the time since only limited building inventory information was available. The formula amount was originally estimated by SFB to be \$75 million but was later updated to \$103,747,800 after the collection of school district building data. Since the lesser amount of \$75 million was credited to the Building Renewal Fund by the Treasurer, the Board distributed 72% of the formula amount to each district.
FY 2000	\$108,389,300	\$82,500,000	\$25,889,300	The formula amount was originally estimated by SFB to be \$82.5 million (a 10% increase over FY 1999 based on limited information) but was later updated to \$108,389,300 after the collection of school district building data. Since the lesser amount of \$82,500,000 was credited to the Building Renewal Fund by the Treasurer, the Board distributed 76% of the formula amount to each district.
FY 2001	\$122,725,300	\$122,725,300	\$0	In FY 2001, the SFB pursuant to A.R.S. 42-5030.01 instructed the Treasurer to transfer \$120 million to the Building Renewal Fund. Subsequently, the Board recalculated the cost at \$122,725,300. In a court decision addressing the legality of prior year shortfalls between the SFB transfer instructions and calculated formula cost, a Maricopa County district court ruled in October 2000 that funding for building renewal each year should be determined by formula cost. In January 2001, the Attorney General issued a formal opinion that the court ruling does not require or permit the SFB to present a revised instruction to the Treasurer to make up the \$2,725,300 shortfall. The SFB therefore requested and the Legislature granted through Laws 2001, Chapter 232 a supplemental appropriation of \$2,725,300.
FY 2002	\$122,786,413	\$62,065,300	\$69,934,700	Pursuant to A.R.S. 42-5030.01, funding is provided through a direct transfer of TPT revenues from the Treasurer in the amount of \$132,000,000. Laws 2002, 3rd SS, Ch. 2, section 22 (HB 2003) transferred \$69,934,700 from the Building Renewal Fund to the General Fund leaving a net appropriation of \$62,065,300.

Fiscal Year	Formula Amount	Appropriated Amount	Shortfall	Explanation
FY 2003	\$128,274,062	\$38,274,100	\$89,999,962	Laws 2002, Chapter 330 (HB 2710), section 45 notwithstanding section A.R.S. 15-2002, subsection A, paragraph 10 required that the State Treasurer disregard any instructions of the School Facilities Board relating to the Building Renewal Fund transfers for fiscal year 2002-2003 and instead shall transfer only the sum of \$38,274,100 in fiscal year 2002-2003 from transaction privilege tax revenues to the Building Renewal Fund. Legislature noted in section 61 of same bill that it was their intent that the Deficiencies Corrections program would provide the necessary funds for building renewal needs.
FY 2004	\$128,804,873	\$0	\$128,804,873	Laws 2002, Ch. 330, section 61 (HB 2710) suspended the building renewal formula for FY 2004. Legislature noted it was their intent that the Deficiencies Corrections program would provide the necessary funds for building renewal needs. The formula amount was \$128,804,873 for this year.
FY 2005	\$134,894,500	\$70,000,000	\$64,894,500	Pursuant to A.R.S. 42-5030.01, funding is provided through a direct transfer of TPT revenues from the Treasurer in the amount of \$134,894,500. However, this was offset by Laws 2004, Ch. 274, section 7 (SB 1406) which transferred \$104,894,500 from the Building Renewal Fund to the General Fund for a net appropriation of \$30,000,00. Additionally, Laws 2004, Ch. 275, section 67 (SB 1402) provided an additional \$40,000,000 through conditional appropriations that were triggered due to excess State revenues for a total appropriation of \$70,000,000. <u>Revised Formula:</u> The alternate formula which was passed and vetoed in Laws 2004, Ch. 274, section 1 (SB 1406) would have produced \$71 million. Legislative staff noted that the appropriation was targeted to this level.
FY 2006 <sup>1/</sup>	\$130,080,500	\$70,000,000	\$60,080,500	Pursuant to Laws 2001, Ch. 117, section 32 (A.R.S. §42-5030.01) a transfer in the amount of \$130,080,500 was made from the General Fund to the Building Renewal Fund. Pursuant to Laws 2005, Chapter 287, section 9 a \$60,080,500 transfer was made from the Building Renewal Fund to the General Fund, leaving the net appropriation of \$70,000,000. <u>Historical Note:</u> Prior to Laws 2005, Ch. 287, section 5, which amended Laws 2001, Ch. 117, sec. 32, the State Treasurer was required to transfer to the Building Renewal Fund, without the need for a specific legislative appropriation, State general fund revenues in an amount instructed by the School Facilities Board. This authority was repealed by Laws 2005, Ch. 287, section 5. <u>Revised Formula:</u> The alternate formula would have produced approximately \$69 million.

Fiscal Year	Formula Amount	Appropriated Amount	Shortfall	Explanation
FY 2007	\$161,465,349	\$86,283,500	\$75,181,849	Laws 2006, Chapter 353, Section 28, (HB 2874) K-12 budget reconciliation bill appropriated \$86,283,500 from the General Fund to the Building Renewal Fund. The appropriation was originally contained in HB 2875, SFB budget reconciliation bill, which altered the formula but was vetoed by Governor Napolitano. The amount was based on the alternate formula.
FY 2008	\$190,219,962	\$40,685,750	\$149,534,212	Laws 2007, Chapter 255, Section 90, (HB 2781) General Appropriations Act appropriated \$86,283,500 from the General Fund to the Building Renewal Fund. Laws 2007, Chapter 53, Section 18 reduced the original building renewal appropriation by 50%. Laws 2008, Ch. 53 (HB 2620) section 17 reverted \$2,456,000 from the Building Renewal Fund to the State General Fund.
FY 2009	\$216,511,501	\$0	\$216,511,501	The program was suspended.
FY 2010	\$227,913,526	\$0	\$227,913,526	The program was suspended.
FY 2011 <sup>2/</sup>	\$226,779,260	\$0	\$226,779,260	The program was suspended.
FY 2012	\$241,593,554	\$0	\$241,593,554	The program was suspended.
<u>FY 2013</u>	\$248,897,321	\$0	\$248,897,321	The program was suspended.
<u>Summary</u> 1999-2013	\$2,493,083,221	\$647,533,950	\$1,854,762,858	From FY 1999 through FY 2013, Building Renewal has been funded at 25.9% of the formula amount.

<sup>1/</sup> The decrease in the formula amount in FY 2006 from FY 2005 is due to the incorporation of Deficiencies Corrections projects into the formula as renovations.

<sup>2/</sup> The FY 2010 formula did not include the renovation data reported by districts. The FY 2011 formula amount includes two years of renovation data reported by districts. This accounts for the decrease in formula for FY 2010 to FY 2011.

### *Preventative Maintenance*

In order to more efficiently meet the State's responsibility to maintain in excess of 121 million square feet of academic space, the Legislature directed the School Facilities Board to help school districts establish preventative maintenance (PM) programs and then perform inspections to review the implementation of those programs. The School Facilities Board has adopted a general set of preventative maintenance guidelines and districts are required to perform the guideline tasks for the various building systems. In addition, the SFB is required to inspect 20 districts for preventative maintenance every 30 months.

Statute does not provide a dedicated funding source for preventative maintenance. However, A.R.S. §15-2031 subsection J allows school districts to use eight percent of the building renewal amount generated by the statutory formula for routine preventative maintenance, which are services that are performed on a regular schedule at intervals ranging from quarterly to annually that are intended to extend the useful life of a building system and reduce the need for major repairs. With the suspension of building renewal funding, the eight percent for preventative

maintenance has in effect been suspended as well. To counter balance the lack of funding, the SFB has expanded the preventative maintenance training and inspections. Further, the SFB has developed and provides PM materials to school districts for self-training exercises.

## Emergency Deficiencies Corrections

## Program 3

Laws 2005, Chapter 287, Section 6 repealed the Deficiencies Corrections program as of June 30, 2006. However, the SFB continues to provide emergency deficiency services through the Emergency Deficiencies Corrections program. The issue facing this program's long-term viability is lack of a dedicated funding source. A.R.S. §15-2022 provides that revenues consist of monies transferred from the Deficiencies Corrections Fund, which no longer exists, or the New School Facilities Fund as long as the transfer will not affect, interfere with, disrupt or reduce any approved capital projects. In recent years, new school construction has been financed using bonds, therefore excess general fund new construction monies are no longer available for emergencies. The New School Facilities Fund is not a viable funding source once existing cash balances in the Emergency Deficiencies Corrections Fund are depleted, which is estimated to occur in FY 2013.

## STRATEGIC ISSUES

### New School Construction and Building Renewal Funding

### Strategic Issue 1

In the past decade, the State invested more than \$1 billion in the Deficiencies Corrections program. Approximately \$2.5 billion has been invested in new school facilities statewide. The inability to maintain these school facilities due to lack of funding ultimately leads to facility failures that become emergencies and are more costly to resolve.

Goal 1	To secure funding for new construction.
Strategies	<ol style="list-style-type: none"> <li>1. Provide compelling data to the Legislature quantifying the need for new construction and demonstrating the need to lift the moratorium on new construction.</li> <li>2. Monitor construction inflation and request JLBC review to ensure cost per square foot keeps pace with market pricing.</li> <li>3. Monitor design process to ensure construction of a quality school that meets minimum adequacy guidelines while being a fiduciary of state funding in managing the cost.</li> </ol>
Performance Measures	<ol style="list-style-type: none"> <li>1. Average six-month Capital Plan cycle time.</li> </ol>

Goal 2	To secure funding for the building renewal formula.
Strategies	<ol style="list-style-type: none"> <li>1. Provide compelling data to the Legislature justifying the need for building renewal funds.</li> <li>2. Assist districts in the development of three-year building renewal plans. The data will be used to provide an accurate reflection of district needs.</li> <li>3. Distribute building renewal funding as required by law.</li> </ol>
Performance Measures	<ol style="list-style-type: none"> <li>1. Number of schools inspected to ensure minimum adequacy guidelines.</li> <li>2. Review prior year expenditures and three-year building renewal plans to ensure compliance with statutory uses.</li> </ol>

Continue Development and Implementation of  
District Preventative Maintenance Programs

Strategic Issue 2

With the lack of funding for building renewal, it is in both the SFB's and school districts' best interest to pool resources to optimize the ability to maintain the school district facilities.

Goal 3	To serve as a resource to school districts to help ensure compliance with preventative maintenance requirements.
Strategies	<ol style="list-style-type: none"> <li>1. Demonstrate to the Legislature the need and benefits of funding improved facilities management in school districts.</li> <li>2. Assist school districts in implementation of preventative maintenance programs to include maps and spreadsheets that contain the location and essential information (manufacturer, age, capacity, etc.) of each piece of equipment, roof, etc. and maps of underground utilities and emergency shut-offs and provide training for administrative and maintenance personnel on their locations and functions.</li> <li>3. Compare success of districts that use facilities management software to inventory building systems and equipment and to track preventative maintenance tasks vs. those that do not use facilities management software.</li> <li>4. Assist school districts in the preparation and submittal of required preventative maintenance plans.</li> <li>5. Work with districts and the Legislature to ensure that the resources necessary to properly maintain the State's schools are made available and properly used.</li> <li>6. Help districts to identify and plan future projects as part of their SFB 3-Year Building Renewal Plan.</li> </ol>
Performance Measures	<ol style="list-style-type: none"> <li>1. Inspect schools on a regular basis to ensure that 20 districts are inspected over a 30 month time frame, using the SFB Preventative Maintenance Plan and Task Sheets as a guide.</li> <li>2. Review annual preventative maintenance school district reports.</li> </ol>

	3. Increase the number of tasks completed on preventative maintenance reporting statements.
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## Strengthen Relationship with School Districts

## Strategic Issue 3

In order for the SFB to achieve Goals 1 through 3, it is important to understand the districts' needs from their perspective. District input will play an important role in the development of action plans that will be put in place to realize SFB objectives. By inviting open dialogue and exchange of ideas, the SFB will be fostering a collaborative relationship with districts. This alliance is crucial to the success of the Strategic Plan.

Goal 4	To strengthen relationship and communication with school districts.
Strategies	<ol style="list-style-type: none"> <li>1. Meet regularly with districts to ascertain their needs and solicit their feedback.</li> <li>2. Review districts' State reporting requirements and explore possibility of streamlining them by partnering with other agencies and organizations (ADE, AASBO, GPEMC, ASBA, etc.)</li> <li>3. Market the SFB to stakeholders.</li> <li>4. Use SFB website and mass e-mail capabilities more effectively.</li> </ol>
Performance Measures	<ol style="list-style-type: none"> <li>1. Percent of districts rating the Boards' services as satisfactory, good, or excellent in annual survey.</li> <li>2. A minimum of 6 face-to-face activities (meetings, presentations, etc.)</li> </ol>

The SFB staff embodies a diverse array of expertise, which school districts can use as a resource for many day-to-day school functions (i.e. preventative maintenance, construction, procurement, demography, plan review, etc.) Likewise, many districts have independently implemented positive changes and cost saving measures that could be utilized by other districts.

Goal 5	To improve knowledge transfer (information sharing) with all stakeholders
Strategies	<ol style="list-style-type: none"> <li>1. Increase geographic representation (have bases in northern and southern Arizona).</li> <li>2. Establish a vehicle for communicating regularly with the districts and other stakeholders (i.e. regional seminars, workshops, newsletters, a blog, etc.).</li> <li>3. Network with other state agencies and other organizations to generate synergy.</li> <li>4. Act as a clearing house for ideas, procedures, etc. that can be beneficial to districts.</li> </ol>
Performance Measures	<ol style="list-style-type: none"> <li>1. Incorporation of suggestions and comments received on evaluations from stakeholders on feedback forms.</li> </ol>

In order to prevent a critical loss to the overall operations of the SFB, all positions must have a cross-trained replacement.

Goal 6	To improve knowledge transfer (information and procedure sharing) internally
Strategies	<ol style="list-style-type: none"> <li>1. Utilize internal expertise and hold training sessions for staff.</li> <li>2. Standardize and document internal processes and procedures.</li> </ol>
Performance Measures	<ol style="list-style-type: none"> <li>1. Success of task completion in absence of employee (tracking number of events and success).</li> <li>2. Review and update 10 desk procedures per year.</li> <li>3. 4 cross-training meetings per year.</li> </ol>

Current funding constraints require state agencies to produce greater output from the investment of fewer resources. This condition requires SFB to define goals and to implement strategies that will support effective management decisions and improve the efficiency of business and administrative operations.

Goal 7	To improve administrative processes.
Strategies	<ol style="list-style-type: none"> <li>1. Integrate local finance system with AFIS.</li> <li>2. Make use of new technology systems and tools.</li> <li>3. Deploy decision support tools.</li> </ol>
Performance Measures	<ol style="list-style-type: none"> <li>1. Efficiency level score on employee survey.</li> <li>2. Customer satisfaction survey.</li> </ol>

Goal 8	To efficiently process applications, payment requests, and reports.
Strategies	<ol style="list-style-type: none"> <li>1. Provide feedback to districts in a timely manner</li> <li>2. Help districts get projects completed efficiently</li> <li>3. Help districts with annual reporting requirements</li> </ol>
Performance Measures	<ol style="list-style-type: none"> <li>1. Maximum 5 days between receipt of an emergency application and response sent in writing to the district.</li> <li>2. 10 days between receipt of a complete payment request and processing</li> </ol>



## RESOURCE ASSUMPTIONS

	FY 2013 Appropriation	FY 2014 Budget Request	FY 2015 Budget Request or Estimate	FY 2016 Estimate	FY 2017 Estimate	FY 2018 Estimate
Full-time-equivalent (FTE) Positions	14	14	16	16	18	18
Operations	\$1,610,700	\$1,610,600	\$1,795,600	\$1,795,600	\$1,948,100	\$1,948,100
Lease-to-own	\$169,429,700	\$178,603,312	\$178,603,312	\$178,603,312	\$178,603,312	\$178,603,312
New School Facilities	\$0	\$28,200,974	\$40,085,924	\$61,471,236	\$51,208,325	\$51,208,325
Building Renewal	\$0	\$260,141,869	\$267,946,125	\$275,984,509	\$284,264,044	\$292,791,965
Building Renewal Grant	\$2,667,900	\$0	\$0	\$0	\$0	\$0
<b>Total General Fund</b>	<b>\$173,708,300</b>	<b>\$468,556,755</b>	<b>\$488,430,961</b>	<b>\$517,854,657</b>	<b>\$516,023,781</b>	<b>\$524,551,703</b>
Other Appropriated Funds	\$0	\$0	\$0	\$0	\$0	\$0
Non-Appropriated Funds	\$93,953,800	\$93,541,460	\$93,541,460	\$93,541,460	\$93,541,460	\$93,541,460
Federal Funds	\$110,188	\$0	\$0	\$0	\$0	\$0
<b>Total Agency Funds</b>	<b>\$267,772,288</b>	<b>\$562,098,215</b>	<b>\$581,972,421</b>	<b>\$611,396,117</b>	<b>\$609,565,241</b>	<b>\$618,093,163</b>

1. Assume 2 additional FTE in FY 2015 (1 each to cover northern and southern regions of State). Combined PS, ERE, and Travel: \$185,000.
2. Assume 2 additional FTE in FY 2017 (1 operations and 1 administrative) as a result of increased workload due to preventative maintenance. Combined PS, ERE, and Travel: \$152,500.
3. Lease-to-own estimates are based on debt service schedules for COP's.
4. New School Facilities estimates are based on projects conceptually-approved as of FY 2012 Capital Planning cycle, and assume land costs will be 5% of total award.
5. Building Renewal request for FY 2014 is based on estimate calculated in August 2012. Official FY 2014 amount will be calculated in November 2012 after districts submit prior year renovation information.
6. Building Renewal for FY 2015 and beyond assume 3% annual growth.
7. Non-appropriated funds estimates are based on debt service schedules for School Improvement and Land Trust bonds.